

Chapter 2

Amendments to the Specifications

2.1 Abstract of the Disclosure

The Abstract of the Disclosure was in the March 2004 original submission.

This was published by the USPTO in the September 2005 publication of the patent application submitted in March 2004.

A paragraph was added to the abstract of the disclosure in the amendment of April 2008. The Abstract of the Disclosure including the added paragraph follows. The Abstract is presented first with underlining (ie markings) because the examiner requested it. Then it is presented without underlining. No new matter not supported by the original submission is added in the

added paragraph.

Note that the examiner requested an Abstract of the Disclosure in Oct 2007, even though one was submitted in March 22, 2004 and was published by the USPTO in Sep 2005. The examiner also requested markings in the Oct 2008. Given these two requests by examiner, the only way to comply seems to to provide the full abstract of the disclosure with the new paragraph underlined. This is done in this amendment.

ABSTRACT OF THE DISCLOSURE

A regime switching vector autoregression (RS-VAR) is defined as a vector autoregression in which the parameters of the vector autoregression are functions of a set of discrete indices, which constitute the regimes. This process can be applied to interest rate models, default models, and other financial models. This can be done in the "objective" or P-measure or the risk-neutral or Q-measure of finance or other measures. One set of applications include calculation of prices, cashflows, capital, reserves, defaults, and other variables. Another set includes transactions using these including purchases and sales, producing and/or sending reports, advisory services, portfolio strategy, etc.

Typically, these applications involve using technical means such as computers or the internet. An additional class of applications are portfolios and financial products made with these methods.

ABSTRACT OF THE DISCLOSURE

A regime switching vector autoregression (RS-VAR) is defined as a vector autoregression in which the parameters of the vector autoregression are functions of a set of discrete indices, which constitute the regimes. This process can be applied to interest rate models, default models, and other financial models. This can be done in the "objective" or P-measure or the risk-neutral or Q-measure of finance or other measures. One set of applications include calculation of prices, cashflows, capital, reserves, defaults, and other variables. Another set includes transactions using these including purchases and sales, producing and/or sending reports, advisory services, portfolio strategy, etc.

Typically, these applications involve using technical means such as computers or the internet. An additional class of applications are portfolios and financial products made with these methods.